

## Message Text

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ORIGIN SS-15

INFO OCT-01 ISO-00 SSO-00 /016 R

66011

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R 172304Z DEC 75

FM SECSTATE WASHDC

INFO USMISSION NATO 1761

S E C R E T STATE 297361

EXDIS

FOLLOWING REPEAT BONN 20359 ACTION SECSTATE 16 DEC 75

QUOTE

S E C R E T BONN 20359

EXDIS

PASS TREASURY AND DEFENSE

E.O. 11652: GDS

TAGS: PFOR, MARR, GW, US

SUBJECT: OFFSET NEGOTIATIONS

1. OFFSET TEAM VINE, SHIELDS, AND NENSEL MET  
TODAY WITH THE FRG REPRESENTATIVES MUEHLEN AND FETT  
OF THE FOREIGN OFFICE AND MAY OF THE FINANCE MINISTRY.

2. AS WE IMAGINED, THE GERMANS HAD A NARROW BRIEF  
WITH LITTLE FREEDOM OF MANEUVER. ON THE OTHER HAND,  
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WE WERE SURPRISED AND PLEASED AT THE GENERALLY AMIABLE

AND CONSTRUCTIVE TONE THAT WAS ESTABLISHED FROM THE OUTSET.

3. IT NOW SEEMS CLEAR TO US THAT CHANCELLOR SCHMIDT'S OBJECTIVE IS TO ASSURE THAT PAYMENTS THROUGH REGULARLY SCHEDULED AGREEMENTS FOR "OFFSET", NOT BE CONTINUED. WE GENERALLY BELIEVE THAT HE IS NARROWLY DEFINING OFFSET TO MEAN PAYMENTS TO EQUALIZE FOREIGN EXCHANGE COSTS NECESSITATED BY THE SIGNIFICANT DRAIN ON THE US BALANCE OF PAYMENTS DURING A PERIOD WHEN FIXED EXCHANGE RATES WERE IN FORCE. THE GERMAN BRIEF WAS DESIGNED CAREFULLY TO EXCLUDE PAYMENTS BASED ON THIS CRITERIA. ON THE OTHER HAND, MUEHLEN, IN HIS OPENING REMARKS, WAS EXPLICIT IN THE RECOGNITION OF BURDEN-SHARING AS A CONTINUING RESPONSIBILITY IN THE MULTILATERAL CONTEXT AND IN THE FRG'S CONTINUED RECOGNITION OF ITS RESPONSIBILITIES FOR THE FACILITATION OF TROOPS STATIONED IN THE FRG.

4. WHEN QUERYING OUR PRESENTATION, MUEHLEN ZEROED IN ESPECIALLY ON WHAT HE TERMED THE SIGNIFICANT ELEMENTS WHICH WE HAD OUTLINED FOR POSSIBLE INCLUSION IN A SUCCESSOR "ARRANGEMENT". THESE ELEMENTS, SAID HE, SUGGESTED SIMPLY A CONTINUATION OF PAST OFFSET AGREEMENTS UNDER ANOTHER NAME. WE POINTED OUT THAT THE EMPHASIS, ON THE CONTRARY, WAS ON GERMAN COMMITMENTS TO STRENGTHEN FORCE POSTURE AND TO FACILITATE US STATIONING IN THE FRG. MUEHLEN INQUIRED WHETHER THE FORMAT WE ENVISAGED WOULD INVOLVE NEW FINANCIAL COMMITMENTS FOR THE FRG. WE CITED THE LARGE ADDITIONAL COSTS TO THE U.S. OF STATIONING TROOPS IN THE FRG AND CONSIDERED THAT SOME ADDITIONAL COMMITMENTS WOULD BE NECESSARY TO MEET THE CONGRESSIONAL PROBLEM. WE CITED AS AN EXAMPLE NORTHAG FINANCING, WHICH WE VISUALIZED AS A ONE-TIME COMMITMENT FOR INSTALLATION COSTS, NOT AS A CONTINUING COMMITMENT FOR MAINTENANCE. WE FURTHER CITED BARRACKS REHABILITATION EXPENDITURES, WHICH HAD HAD TREMENDOUS SUCCESS IN IMPROVING TROOP

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MORALE AND QUIETING CONGRESSIONAL PRESSURES. ON THE OTHER HAND, WE INDICATED THAT WE WERE NOT SEEKING NEW COMMITMENTS FOR PROCUREMENT ABOVE AND BEYOND THOSE PRESENTLY PROGRAMMED BY THE DEFENSE MINISTRY.

5. WE EMPHASIZED THE CONGRESSIONAL PROBLEM AND THE

NEED TO FIND A PRESENTATION WHICH WOULD EMPHASIZE THIS CHANGING THRUST AND SUGGESTED OUR WILLINGNESS TO HAVE AN ARRANGEMENT FOR A CONSIDERABLY LONGER PERIOD, E.G., FIVE YEARS WHICH WOULD REDUCE THE NEED FOR BI-ANNUAL HAGGLING.

6. THE GERMANS, CLEARLY UNINSTRUCTED, NEVERTHELESS SHOWED INTEREST IN THE POSSIBILITY OF SOME KIND OF JOINT STATEMENT OR ARRANGEMENT WHICH WOULD SIGNAL THE END OF PAYMENTS ON BALANCE OF PAYMENTS GROUNDS BUT AT THE SAME TIME WOULD SIGNAL THEIR WILLINGNESS TO WORK CLOSELY WITH US ON STEPS FOR FORCE IMPROVEMENT AND THE FACILITATION OF STATIONING OF AMERICAN TROOPS IN THE FRG. THEY ARE OBVIOUSLY RELUCTANT TO ENTER INTO AN AGREEMENT WHICH STIPULATES PRECISE FIGURES ON COMMITMENTS. ON THE OTHER HAND, THEY SEEM PREPARED TO STIPULATE SPECIFIC PROJECTS WHICH MIGHT FALL UNDER A SUCCESSOR ARRANGEMENT.

7. THEY ALSO GAVE US A TEXT OF A DRAFT STATEMENT WHICH CALLED IN UNEQUIVOCAL TERMS FOR THE END OF OFFSET. AT FIRST BLUSH, WE FIND IT UNACCEPTABLE. THE GERMANS, HOWEVER, HAVE ASKED US FOR A REACTION TO IT AND WE MIGHT FIND IT A CONVENIENT VEHICLE FOR ENGAGING IN CONTINUING DISCUSSIONS. BY THE SAME TOKEN, WE CONVINCED THE WORKING LEVEL GERMANS THAT A COMMON GUIDANCE ON THIS ISSUE WAS DESIRABLE SO THAT THEY AND WE WOULD BE HANDLING MATTERS WITH THE PUBLIC, BUNDESTAG, AND THE CONGRESS IN SIMILAR FASHION. WE LEFT THEM A DRAFT GUIDANCE WHICH THEY UNDERTOOK TO REACT TO THROUGH DIPLOMATIC CHANNELS AND WHICH, IN OUR JUDGMENT, IS ANOTHER VEHICLE FOR ENGAGING THEM IN SUBSTANTIVE DISCUSSIONS.

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8. MUEHLEN AND MAY UNDERTOOK TO REPORT OUR PRESENTATION TO THEIR SUPERIORS AND TO CHANCELLOR SCHMIDT AND PROMISED TO SUPPLY A REACTION TO IT.

9. ON THE WHOLE, WE ARE REASONABLY SATISFIED THAT A BASIS FOR FURTHER DISCUSSION HAS BEEN ESTABLISHED.  
HILLENBRAND

UNQUOTE INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** OFFSET PAYMENTS, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 DEC 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE297361  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** EUR/RPM:VLEHOVICH  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750439-0751  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t19751234/aaaabdt.tl  
**Line Count:** 165  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN SS  
**Original Classification:** SECRET  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** EXDIS  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 APR 2003 by BoyleJA>; APPROVED <22 OCT 2003 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OFFSET NEGOTIATIONS  
**TAGS:** PFOR, MARR, GE, US  
**To:** NATO BRUSSELS  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006